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E.O. 12958: DECL: 06/26/16  
TAGS: [PARM](#) [PREL](#) [ETTC](#) [EFIN](#) [PGOV](#) [CH](#)

SUBJECT: RESPONSE TO CHINA ON E.O. 13382 DESIGNATIONS; NEW  
INFORMATION ON CPMIEC

REFS: A. BEIJING 12181  
[1](#)B. STATE 95206

CLASSIFIED BY EAP/CM DIRECTOR ROBERT GOLDBERG FOR REASONS  
1.4 (B) AND (D).

[1](#)1. (U) This is an action request. Embassy Beijing,  
please see paragraph 2.

[1](#)2. (S/NF) Action Request: Request Post deliver to  
appropriate host government officials the points in  
paragraph 3 responding to China's reactions (ref A) to  
Executive Order 13382 designations (ref B) and informing  
China of new proliferation activities of one of the  
designated entities - China National Precision Machinery  
Import-Export Corporation (CPMIEC). Points may be left as  
a non-paper. Post should draw from points in paragraph 4  
as needed. Also request that Post share paragraph 5 non-  
paper containing procedures for removing entities from the  
List of Specially Designated Nationals and Blocked Persons  
(SDN List). Post should make clear to host government  
that administrative action to remove persons from the SDN  
List is initiated by the blocked person directly with the  
Department of the Treasury's Office of Foreign Assets  
Control (OFAC).

[1](#)3. (S/Rel China)

Begin Talking Points/Non-paper for China.

-- When informed of the USG decision to designate four  
Chinese entities under Executive Order (E.O.) 13382, China  
responded that it would take immediate action in response  
to any new proliferation activities by these firms. We  
appreciate China's commitment to act expeditiously on  
these cases.

-- In this context, we would like to make you aware of  
recent troubling information we have acquired regarding  
the activities of one of the Chinese entities designated  
pursuant to E.O. 13382 - China National Precision  
Machinery Import-Export Corporation (CPMIEC).

-- Specifically, we understand that, in late May 2006,  
CPMIEC was working to finalize arrangements to ship a  
variety of missile-related goods to Iran's Mehr  
Engineering and Industrial Group.

-- Mehr Engineering is associated with the Shahid Bakeri  
Industrial Group (SBIG), which is responsible for  
developing Iran's solid-fuelled ballistic missiles and was  
designated under E.O. 13382 in June 2005.

-- Our information indicates that Mehr Engineering was  
trying to facilitate the shipment of 54 SNJ-1

accelerometers. We understand that arrangements were made so that these items would be shipped to Iran no later than July 12, 2006.

-- The SNJ-1 accelerometers sought by SBIG are controlled by the Missile Technology Control Regime (MTCR) and can be used in the guidance of Iran's Shahab and Fateh-110 missiles, and possibly its Ashura medium-range ballistic missile (MRBM) system.

-- In addition, during the same time frame, Mehr Engineering requested CPMIEC provide a rate turn table.

-- Rate turn tables can be used to calibrate and align missile guidance, navigation and control systems. Some types of rate tables are controlled under the MTCR Annex.

-- Mehr Engineering also planned a June 2006 visit of a CPMIEC delegation to Iran. This delegation may include CPMIEC manager Cai Xiaomei, who has been actively involved in CPMIEC's projects in Iran.

-- You will recall that in August 2005, we shared with you information indicating that Cai Xiaomei was intending to hand-carry MTCR-controlled, DT-2B gyroscopes to Iran in an effort to evade Chinese export control regulations.

-- In view of the significant proliferation concerns raised by this activity, we request that you investigate this information and take steps to stop CPMIEC's continued assistance to Iran.

-- We would also be interested in knowing what enforcement actions China is taking to target such high-risk exports and technology transfers.

-- While the United States is committed to sharing as much information as possible with China, China needs to take rigorous steps on its own to proactively look for and prevent potential violations.

-- By intensifying its efforts to further augment its export enforcement, the Chinese Government can play a productive role in changing the behavior of proliferating entities.

-- Tangible evidence of sustained, modified behavior by designated entities can serve as a baseline for the USG's consideration of removing Chinese entities from the Department of the Treasury Office of Foreign Assets Control's (OFAC's) List of Specially Designated Nationals and Blocked Persons (SDN List).

-- Removal from the SDN List requires an administrative process that the designated entity itself must initiate directly with OFAC. I will leave you a non-paper detailing this process.

-- In addition to the actions taken by the entities themselves, the USG will factor in any information you share regarding concrete enforcement actions taken to permanently stop the activities of these serial proliferators.

-- We remain committed to working with you on ways to compel proliferating entities to alter their conduct and cooperate with both our governments in order to prevent the necessity of future designations.

End Talking Points/Non-paper for China.

14. (S/Rel China)

If raised: U.S. said it would make no designations until the end of 2006; China has already shared details of new export enforcement actions

-- As Acting Assistant Secretary Frank Record reminded the

Chinese delegation on June 7 during bilateral meetings in Washington, we originally informed China that we wished to see by the end of November 2005 decisive, effective Chinese Government action to stop serial proliferation by the ten Chinese entities that have been the subject of E.O. 13382 consultations.

-- Acting Assistant Secretary Record indicated that we were now long past that time, but that we would take into account any information China provided on the ten entities and be back in touch with China within the next week.

-- While we welcome the updates China provided on June 7 about enforcement actions, and encourage such further actions as evidence of China's progress in the area of export controls, China did not sufficiently address our concerns about the ten entities.

End "if raised" points.

15. (U) Begin non-paper containing procedures for removal from SDN List.

-- In response to your request for information regarding removal of an entity or individual from OFAC's List of Specially Designated Nationals & Blocked Persons, the relevant procedures are found in the U.S. Code of Federal Regulations, Title 31, Chapter V, Part 501.807:

-- These procedures indicate that the blocked person may submit, in writing, arguments or evidence it believes establishes that there is an insufficient basis for the designation.

-- The person may also recommend remedial steps it may take that it believes would negate the basis on which the designation was made.

-- All such submissions must be made in writing to the Director of Treasury's Office of Foreign Assets Control (OFAC). OFAC reviews such submissions and will provide a written decision to the blocked person. During the course of its review, OFAC may request additional information from the blocked person.

-- This process is conducted directly between the blocked person and OFAC. There are no requirements for meetings, although the blocked person may request one; however, OFAC may, at its discretion, decline to conduct such a meeting prior to concluding its review.

-- The United States hopes this information is helpful and is willing to provide further clarification as requested.

End non-paper.  
RICE

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